

Audit of Financial Statements Report – **North Wales Fire and Rescue Authority**

Audit year: 2016-17

Date issued: September 2017

Document reference: 116A2017-18



This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Contents

The Auditor General intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

Summary report

Introduction	4
Status of the audit	4
Proposed audit report	4
Significant issues arising from the audit	5
Recommendations arising from our 2016-17 financial audit work	12
Independence and objectivity	12

Appendices

Appendix 1 – Letter of Representation	13
Appendix 2 – proposed audit report of the Auditor General to the North Wales Fire and Rescue Authority	16
Appendix 3 – summary of corrections made to the draft financial statements which should be drawn to the attention of the North Wales Fire and Rescue Authority	18

Summary report

Introduction

- 1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of North Wales Fire and Rescue Authority (the Authority) and the Fire Fighters Pension Fund at 31 March 2017 and its income and expenditure for the year then ended.
- 2 We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
- 3 The quantitative levels at which we judge such misstatements to be material is £0.846 million for the Authority and £0.168 million for the Fire Fighters' Pension Fund. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
- 4 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
- 5 This report sets out for consideration the matters arising from the audit of the financial statements of the Authority, for 2016-17, that require reporting under ISA 260.

Status of the audit

- 6 We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with Mr Ken Finch, Treasurer.
- 7 We received the signed draft financial statements for the year ended 31 March 2017 prior to the statutory deadline of 30 June 2017 and have now substantially completed the audit work.

Proposed audit report

- 8 It is the Auditor General's intention to issue an unqualified audit report on the financial statements. As part of the final stages of the audit you will provide us with a Letter of Representation based on that set out in [Appendix 1](#).
- 9 The proposed audit report is set out in [Appendix 2](#).

Significant issues arising from the audit

Uncorrected misstatements

- 10 We set out below the misstatements we identified in the financial statements, which have been discussed with management but remain uncorrected, and request that these are corrected. If you decide not to correct these misstatements, we ask that you provide us with the reasons for non-correction.

A revaluation loss of £511,000 on the old Wrexham Fire Station has not been treated in accordance with the Code of Practice on Local Authority Accounting

- 11 In the circumstances when an operational asset ceases to be operational and is reclassified as an asset held for sale, the Code requires that the value is adjusted to reflect the lower of the value in operational use and the anticipated net sale proceeds. It then requires that any impairment or revaluation loss for any decrease to the value is recognised in the Surplus or Deficit on the Provision of Services (even where there is balance on the asset's Revaluation Reserve).
- 12 In the case of the old Wrexham Fire Station, the total decrease following revaluation to the lower of value in operational use and the anticipated net sale proceeds was £897,000. In the accounts, only £386,000 of this loss has been recognised in the surplus or deficit on the provision of services, as the remaining £511,000 was written off against the Revaluation Reserve. As a result the deficit on the provision of services is understated by £511,000 and the revaluation reserve is understated by the same amount. (Note, whilst incorrect, these transactions would not impact on the funding basis of the Authority as they would be adjusted for as part of the adjustments between accounting basis and funding basis under regulation).

Pension Liabilities are understated by £574,000 as the Actuary has accounted for pension payments relating to April 2017 in his estimate of the liabilities as at 31 March 2017

- 13 In the Fire Fighters Pension Fund, it has been identified that the benefits payable accounted for in the 2016-17 accounts actually related to 1 May 2016 to 30 April 2017 instead of 1 April 2016 to 31 March 2017, as is required under the Code of Practice.
- 14 Whilst the material transactions relating to the correction of this mistreatment have been adjusted in the accounts, the impact on the IAS19 pension disclosures have not been corrected.
- 15 As the Actuary did not appreciate that the financial data he was using included benefits paid in relation to April 2017, the total pension liability will have been understated by this amount.

Stock valued at £151,000 has not been recognised as an asset in the Balance Sheet at the year end

- 16 In December 2013, the Authority purchased 45,000 smoke alarms funded from grant monies. As at 31 March 2017, approximately 22,000 of these were still held in stock but not recognised as an asset in the balance sheet (nor were they in prior year accounts). However, in early 2016, the Authority became aware that there was a fault with the smoke alarms and are now pursuing recompense from the supplier. Given that, consideration should also have been given, in the accounts, to the need to impair the value of the stock.
- 17 The failure to recognise the stock and subsequent lack of consideration of impairment, results from the Authority treating grant monies outside of the core financial activities of the Authority, as highlighted elsewhere during the audit.

Benefits payable and top up grant receivable in the Fire Fighters Pension Fund Account are misstated by £21,000

- 18 As set out in paragraph 13, the Pension Fund has incorrectly accounted for benefits payable relating to the period May 2016 to April 2017 instead of April 2016 to March 2017. Therefore, the net position of benefits paid less contributions received is overstated by £21,000, being the difference between the benefits payable in April 2016 and April 2017. As the net position is then funded by Top-Up grant from Welsh Government, it is also the case that the income is overstated by £21,000.

Corrected misstatements

- 19 There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#).

Other significant issues arising from the audit

- 20 In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this year.

We have some concerns about the qualitative aspects of your accounting practices and financial reporting

- 21 We have the following concerns about the qualitative aspects of your accounting practices and financial reporting:

The draft financial statements were of poor quality and had not been subject to sufficient quality review, nor did it appear that there was sufficient collective ownership, and as a result they have been extensively restated

- 22 The draft financial statements were of poor quality and contained a number of *prima facie* errors and inconsistencies as well as some more fundamental errors. It seems clear to us that they had not been subject to a robust quality review. Had a robust review been undertaken, many of the necessary amendments could have been addressed prior to presenting the accounts for audit, which would have avoided unnecessary audit work. As the accounts were submitted before the statutory deadline, the timetable would have allowed for this.
- 23 In many instances, the working papers were not self-explanatory nor sufficiently detailed to understand how the accounts had been compiled. This resulted in the need for extensive audit enquiry in order to obtain the necessary explanation and understanding of the underlying accounting entries. This also identified that a number of short cuts had been taken resulting in ‘net’ transactions rather than the full and correct accounting treatment being applied in accordance with the Code of Practice on Local Authority Accounting.
- 24 Furthermore, there is need for recognition of the Authority’s collective responsibility for the preparation of the accounts and responding to the audit process. We identified a number of instances where there had been a lack of communication between finance staff based within the Authority itself and the finance staff in based in Conwy County Borough Council (Conwy). This resulted in the accounts having been compiled using incorrect or incomplete information, which led to the need to carry out a significant amount of additional accounts preparation work and led to a number of significant adjustments to the draft financial statements.
- 25 Also, where explanations and information to our audit enquiries were required from sources inside the Authority, there were often significant delays. This contributed to additional pressure and additional work for both Conwy staff and ourselves to complete the audit in line with the required deadlines.
- 26 As a result of these contributory factors, the draft accounts have been subject to extensive restatement.

Despite our recommendation in 2016, the asset register still does not hold sufficiently detailed information on the individual assets classified as operational and IT equipment, nor is the process to account for disposals sufficiently robust

- 27 Last year we identified that the financial asset register did not hold information in a sufficiently detailed manner, in respect of operational and IT equipment, to identify individual assets. As a result we recommended that the asset register be revised, to include assets at an individual or group level, to ensure that they can be easily identified and ensure that the asset register reconciles to departmental records.
- 28 This exercise has not been carried out and therefore it remains difficult to determine whether the assets accounted for in the financial statements are still in existence within the Authority.
- 29 Work was carried out to identify the assets associated with a sample of the asset register entries but this was not straightforward and, as with last year, was very protracted.
- 30 Our work identified that there were still assets on the asset register that had been sold or scrapped by the Authority. This included assets that were no longer in existence at the end of the last financial year and that we reported to you in our Report on the 2015-16 Financial Statements. As well as incorrectly still recording these assets, which have a net book value of £19,000 as at 31 March 2017, the failure to write them out of the asset register has resulted in an incorrect depreciation charge of £19,000. In addition to these assets, we have identified further assets (with a net book value of £15,400) that have been disposed of prior to the year end. Therefore any improvements to the disposal process were lacking in their effectiveness.

IT equipment, which is made up of both tangible and intangible assets, had been classified as tangible equipment in its entirety resulting in a classification error

- 31 When testing in year property, plant and equipment (PPE) additions, we identified that some IT assets had been incorrectly classified as tangible assets when, in fact, they were intangible software licenses. It was also clear that this accounting treatment had also been applied historically as the carrying value of intangible assets in the draft statements was £nil.
- 32 The Authority carried out an exercise to identify the larger items which should have been classified as intangible assets and an adjustment has been made to the disclosures in the financial statements.
We are satisfied that the split between tangible and intangible assets is materially stated, but a detailed review is essential to ensure that all assets are classified and disclosed on the Authority's balance sheet.

Improvements to account for grant income and its associated expenditure were not adequate nor did they ensure that all the activity was accounted for in the primary statements

- 33 Last year we identified that the Authority was not accounting for much of its grant income and the associated expenditure in the primary financial statements, which was fundamentally incorrect. This resulted in material adjustments to the accounts and a recommendation that the Authority should account correctly in 2016-17 onwards.
- 34 Whilst the draft financial statements did include entries relating to grant income and expenditure, the method of accounting for grants does not represent good practice as the in-year activity has been captured in balance sheet holding accounts rather than being coded to appropriate revenue codes. A year-end exercise has then been carried out to add the gross income and gross expenditure into the income and expenditure statement.
- 35 However, we identified that the transactions in the grants holding account have not been reconciled to the amounts of grant due and a number of yearend accruals were omitted. It was also clear that this is an example of where poor communication between the Authority's and Conwy's finance staff has directly resulted in the inadequate accounting arrangements which resulted in material errors in the accounts.

Transactions to account for pension liabilities in accordance with International Accounting Standard 19 Employee Benefits (IAS19) have not been included in the financial ledger

- 36 IAS19 sets out the accounting treatment and disclosure for employee benefits, which includes recognising the Authority's share of the assets and liabilities of the relevant pension schemes.
- 37 Whilst the financial statements correctly includes these transactions, although they have been subject to amendment following audit, they have not been entered into the Authority's financial ledger.
- 38 The financial ledger should be the comprehensive record of all the financial transactions of the Authority and should agree to the financial statements. The Code of Practice sets out fundamental qualitative characteristics including completeness and faithful representation and it is not in accordance with these principles to record accounting transactions outside of the financial ledger.
- 39 Whilst we have obtained sufficient assurance that the IAS19 disclosures are both accurate and complete, it is not appropriate to continue excluding these transactions from the underlying accounting records.

We encountered difficulties during the course of the audit and this is of particular concern as the timetable for the accounts preparation and publication is significantly shortened from 2018-19

- 40 As a result of the various issues identified above a significant amount of additional work was required to obtain sufficient assurance that the accounts were materially stated and to audit and track the significant number of adjustments through to the final statements.
- 41 The preparation of the annual financial statements is a complex project with many inter-dependencies and it needs effective project management and buy-in from all those involved. The Authority needs to give further consideration to how the accounts production and audit process is managed to both secure improvement and to ensure that it is not at risk of failing to meet the statutory deadlines. This is of particular relevance in that Welsh Government has agreed plans to bring forward the timetable for preparing and publishing the accounts of local government bodies in Wales.
- 42 For Fire Authorities, the revised timetable requires that from 2018-19, the accounts must be prepared by 31 May (one month less than currently) and published by 31 July (two months less than currently). This will be challenging for all Fire Authorities but adds emphasis to the need to secure the improvements referred to above, as there is only one more financial year (2017-18) before the revised timetable is introduced.
- 43 Following the completion of the audit we will hold a joint post project learning session with officers to help identify the improvements that need to be made.

There are two matter relevant to the oversight of the financial reporting process that we need to report to you

A number of related party disclosure returns were outstanding when the draft accounts were prepared resulting in them being prepared with incomplete information

- 44 The Code of Practice on Local Authority Accounting requires disclosures to be made for related parties. In order to allow this note to be compiled, members and relevant officers are required to declare relevant interests with whom the Authority may have a financial relationship. Unfortunately eight returns were outstanding when the accounts were prepared and had to be chased during the audit window and two still remain outstanding. The related parties note has been updated to reflect these omissions.
- 45 In order to ensure that the disclosures are complete and materially stated, it is vital that they are returned as required.
- 46 In turning to the return itself, the request currently asks for respondents to declare whether they (or relevant family members), in any capacity, have entered into a financial transaction with the Authority. This requires individuals to have knowledge

of all the bodies the Authority transacts with, which is unrealistic and increases the risk that appropriate declarations may be omitted. It would be more appropriate for declarations to request information on interests held (by individuals and family members).

Many of the title deeds held by the Authority remain in the name of former Councils and in most cases ownership has not been registered with the Land Registry

- 47 Whilst we have obtained sufficient assurance for audit purposes, we have identified that the title deeds of the majority of the Authority's land and buildings remain in the name of former Councils and there are no title deeds for the Beaumaris Fire Station.
- 48 It is also the case that the land and buildings have not been registered with the Land Registry in the majority of cases.

There is one matter that we have discussed with management which we need to report to you

- 49 We have been made aware of some concerns in relation to white fleet management which we have discussed with management. As a result we are considering a review of the white fleet management arrangements.

There are no other matters that we need to report to you

- 50 There are no other matters to report to you. In particular:
 - we did not identify any other material weaknesses in your internal controls that we have not reported to you already; and
 - there are no other matters specifically required by auditing standards to be communicated to those charged with governance.

Recommendations arising from our 2016-17 financial audit work

- 51 We will issue a separate report with the details of our recommendations arising from our financial audit work. This will be discussed with officers and then presented to the Audit Committee at its next meeting.

Independence and objectivity

- 52 As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 53 We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and the Authority that we consider to bear on our objectivity and independence.

Appendix 1

Letter of Representation

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

18 September 2017

Representations regarding the 2016-17 financial statements

This letter is provided in connection with your audit of the financial statements of North Wales Fire and Rescue Authority for the year ended 31 March 2017 for the purpose of expressing an opinion on their truth and fairness.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for:

The preparation of the financial statements in accordance with legislative requirements and Code of Practice on Local Authority Accounting in the UK; in particular the financial statements give a true and fair view in accordance therewith.

The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

Full access to:

- all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.

The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Our knowledge of fraud or suspected fraud that we are aware of and that affects the North Wales Fire and Rescue Authority and involves:

- management;
- employees who have significant roles in internal control; or
- others where the fraud could have a material effect on the financial statements.

Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.

Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

The decision not to correct for the misstatements in the accounts for 2016/17 is as follows:

The revaluation loss of £511,000 on the old Wrexham Fire Station has not been treated in accordance with the Code of Practice – the property was vacated in April 2016 and then was actively marketed for sale in May 2016. At the time the property was vacated it became a surplus asset and the revaluation was made at this point. The asset was then transferred to the Assets Held for Sale category when it was actively marketed for sale. There has been some discussions with regards the timing of the revaluation and the value used. The uncorrected misstatement is an accounting entry which would be reversed when the property is sold so on this basis the decision was taken not to make the amendment. It is considered that the amounts involved are not material and it is still

the position that the accounts provide a true and fair view of the financial position of the Authority.

Stock valued at £151,000 has not been recognised as an asset in the Balance Sheet at the year-end - the smoke alarms are held as bonded stock so are not actually physically held by the service so would not have been included in the stock taking process. For subsequent years accounts bonded stock will be included as an asset on the balance sheet. It is considered that the amounts involved are not material and it is still the position that the accounts provide a true and fair view of the financial position of the Authority.

Pension Liabilities are understated by £574,000 as the Actuary has accounted for pension payments relating to April 2017 in his estimate of the liabilities as at 31 March 2017 – the IAS19 figures are prepared by the actuary based on a number of assumptions with regards life expectancy, inflation and payment increases. The estimated liability on the firefighter pension fund as at 31 March 2017 was £289.45m. If the adjustment was applied to the fund the change would not be significantly different given the number of assumptions used for the basis of the calculation. It is considered that the amounts involved are not material and it is still the position that the accounts provide a true and fair view of the financial position of the Authority.

Benefits payable and top up grant receivable in the Firefighters Pension Fund is misstated by £21,000 - the amount is not significant to the overall Pension Fund and will be adjusted going forward.

Representations by the North Wales Fire and Rescue Authority

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the North Wales Fire and Rescue Authority on 18 September 2017.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

**Mr. Ken Finch
Treasurer**

Date: 18 September 2017

Signed by:

**Meirick Lloyd Davies
Chair of the North Wales Fire and
Rescue Authority**

Date: 18 September 2017

Appendix 2

Proposed audit report of the Auditor General to the North Wales Fire and Rescue Authority

I have audited the accounting statements and related notes of

- the North Wales Fire and Rescue Authority; and
- the Firefighters' Pension Fund Account

for the year ended 31 March 2017 under the Public Audit (Wales) Act 2004.

The North Wales Fire and Rescue Authority's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement.

The Firefighters' Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the Auditor General for Wales

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, including the Firefighters' Pension Fund's accounting statements, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the North Wales Fire and Rescue Authority and the Firefighters' pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of the North Wales Fire and Rescue Authority

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the North Wales Fire and Rescue Authority as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

Opinion on the accounting statements of the Firefighters' Pension Fund

In my opinion, the Pension Fund accounts and related notes:

- give a true and fair view of the financial transactions of the Firefighters' Pension Fund during the year ended 31 March 2017 and of the amount and disposition of the fund's assets and liabilities as at that date, and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

Opinion on other matters

In my opinion, the information contained in the Narrative Report is consistent with the accounting statements and related notes.

Matters on which I report by exception

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit;
- The Governance Statement does not reflect compliance with guidance.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of the North Wales Fire and Rescue Authority in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

For and on behalf of

Huw Vaughan Thomas

Auditor General for Wales

22 September 2017

Wales Audit Office

24 Cathedral Road

Cardiff

CF11 9LJ

Appendix 3

Summary of corrections made to the draft financial statements which should be drawn to the attention of the North Wales Fire and Rescue Authority

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Value of correction	Nature of correction	Reason for correction
£ Numerous	<p>Narrative Report</p> <ul style="list-style-type: none"> Correctly disclose total value of grants received in narrative Additional note references added for informative purposes to the reader <p>Rounding differences corrected to agree to supporting notes</p>	To ensure accurate disclosure and to inform the reader.
Presentational	<p>Core Statements</p> <p>All core statements have been subject to extensive amendments to ensure the accounts balance.</p>	To correctly disclose all transactions in the core statements.
£25,000	<p>Expenditure & Funding Analysis - Deprecation Reversal Adjustment</p> <p>Adjustment has been made in relation to the additional depreciation identified when the Authority re-performed the depreciation calculation that was not expensed in previous years.</p>	To correctly disclose the full depreciation charge
£1,974,000	<p>Expenditure & Funding Analysis and Comprehensive Income & Expenditure Statement – Transposition errors</p> <p>Amendments have been made for misstated accounting balances in the Authority's original working paper.</p>	To correctly disclose balances in the EFA and CIES.
£822,000	<p>Balance Sheet</p> <p>Assets held for sale had been incorrectly classed as Current Liabilities not Current Assets, subsequently resulting in total assets and total reserves not agreeing</p>	To correctly disclose Assets held for sale as current assets.
£ Numerous	<p>Note 6 – Detailed Analysis of Expenditure and Income</p> <p>Adjustments have been made for misclassified expenditure and income in the ledger</p>	To correctly classify income and expenditure.
£766,000	<p>Note 6 – Detailed Analysis of Expenditure and Income</p> <p>Grant Income received but not accounted for in total income in the Management Accounts.</p>	To recognise income in the primary statements.
£586,000	<p>Note 6 – Detailed Analysis of Expenditure and Income – Reconcile of Service I&E presented in the Management Accounts in the CIES</p> <p>Capital Funding was omitted from CIES not reported to Management summary in draft Statement of Accounts.</p>	To correctly disclose all items from CIES not reported to Management.

Value of correction	Nature of correction	Reason for correction
£1,532,000	Note 6 – Detailed Analysis of Expenditure and Income – Reconcile of Service I&E presented in the Management Accounts in the CIES – Transposition errors Amendments have been made for misstated accounting balances in the Authority's original working paper.	To correctly disclose balances in the Reconcile of Service I&E note.
£3,642,000	Note 7 – Adjustments between Accounting Basis & Funding Basis under Regulation Employer's pension contributions and direct payments to pensioners payable was omitted from the above note.	To correctly disclose the employer's pension contribution paid.
£41,000	Note 7 – Adjustments between Accounting Basis & Funding Basis under Regulation Adjustments primarily involving the Accumulated Absence Account was omitted from the above note.	To correctly disclose the adjustments primarily involving the Accumulated Absence Account.
£3,620,000	Note 7 – Adjustments between Accounting Basis & Funding Basis under Regulation – Transposition errors Amendments have been made for transposition error in the presentation of adjustment in the above note.	To correctly disclose all the adjustments between accounting basis & funding basis under regulation.
£400,000	Note 9 – Other Operating Expenditure and Income The Use of Capital Earmarked Reserve was omitted from this total which impacted the EFA and CIES	To correctly disclose the use of capital earmarked reserve in the financial year.
£501,000	Note 12 – Property Plant and Equipment and Intangible Assets Capital assets additions in the year were misclassified as tangible assets not intangible assets	To correctly classify assets as intangible asset to meet Code requirements.
£126,000	Note 13 – Financial Instruments Loans were not shown at amortised costs (i.e. cost & accrued interest) as accrued interest was accounted for in creditors	To correctly disclose Loans at amortised costs.
£2,279,000	Note 13 – Financial Instruments – Loans by Maturity Analysis of loans by maturity did not reflect the correct balances due in the short term and long term	To correctly disclose the value of Short Term Borrowings and Long Term Borrowings.
£745,000	Note 16 Debtors and Grant Income Revenue Grants due at the end of the financial year had not been accounted for in debtors, therefore debtors were understated.	To correctly disclose the value of Revenue Grants received in the year.
£618,000	Note 18 Creditors and Grant Expenditure Grant expenditure outstanding at the end of the financial year had not been accounted for in creditors, therefore creditors were understated.	To correctly disclose the value of Grant Expenditure incurred in the year
£161,000	Note 20 Usable Reserves – General Reserves Adjustment to recognise grant income previously held in holding accounts not accounted for in revenue	To ensure all grant income has been accounted for in revenue.
£34,000	Note 20 Usable Reserves – Grant Reserve Adjustment to reflect the correct balance of grants outstanding to be accounted for in grant reserve	To ensure that Grant Reserve are correctly stated.

Value of correction	Nature of correction	Reason for correction
£2,160,000	Note 21 – Unusable Reserves – Revaluation Reserve Adjustment to reflect the correct and proper accounting treatments in the Revaluation Reserve and the Capital Adjustment Accounts. Amendment also impacts the CIES.	To ensure correct and proper accounting treatments in the Revaluation Reserve and Capital Adjustment Account.
£ Numerous	Note 22 – Cash Flow Statement – Operating Activities Extensive restatement to reflect various accounting adjustments have been made to disclosures in Cash Flow – Operating Activities.	To correctly disclose Net Cash Flow from Operating Activities.
£990,000	Note 22 – Cash Flow Statement – Operating Activities – Transposition errors Amendments have been made for misstated accounting balances in the Authority's original working paper.	To correctly disclose Net Cash Flow from Operating Activities.
£1,000,000	Note 23 – Cash Flow Statement – Investing Activities Adjustments have been made to Purchase of Property, Plant and Equipment in Investing Activities to fully disclose the additions that occurred in the financial year, this should have been £2,942,000 not £1,942,000.	To correctly disclose Net Cash Flow from Investing Activities
£ Numerous	Note 26 – Members Allowances Adjustments have been made to correctly disclose full member allowances relating to 2016-17 and expenses received.	To correctly disclose total member allowances and expenses.
£6,072	Note 27 – Officers' Remuneration Adjustment have been made to additional pension for Senior Officers that are members of the Local Government Pension Scheme for the incorrectly calculated apportionment of the lump sum payable to the Pension Fund based on a percentage of total pensionable pay Additional narrative has also been included to explain the full pension contribution of Senior Officers' for the reader	To correctly disclose the total pension contributions of Senior Officers
£1,809	Note 27 – Officers' Remuneration The need to include the S151 Officer in the Officers' Remuneration table.	To correctly disclose all Senior Officers in accordance with the Code requirements.
£ Numerous	Note 27 – Officers' Remuneration – Exit Packages Exit packages have been not been disclosed in banding as Code requirements. Disclosure updated to include banding for total exit packages cost.	To correctly disclose exit packages in banding in accordance with Code requirements.
Various Narrative amendments	Note 27 – Officers' Remuneration Additional narrative added to provide relevant information about the Senior Officers' Remuneration disclosures	To provide the reader with sufficient information that meets disclosure requirement
£162,000	Note 29 Grants Grant income and associated expenditure had been understated due to the exercise of incorrectly grossing up of grant transactions.	To correctly disclose the value of Revenue Grant and associated expenditure relating to the financial year.

Value of correction	Nature of correction	Reason for correction
£21,013	Note 33 – Termination Benefits Termination Benefits had been compiled by excluding early pension strain costs and payments made in lieu of notice. Disclosure updated to reflect total termination benefit payments.	To correctly include Payments in lieu of notice in accordance with Code requirements.
£164,000	Note 34 – Transactions Relating to Post-employment Benefits Past Service Costs & Admin Expenses for Funded and Unfunded balances from the Actuary Report were omitted from the originally working paper prepared by the Authority.	To correctly disclose all figures from the Actuarial Report in the supported note.
£391,000	Note 34 – Transactions Relating to Post-employment Benefits – Actual Amounts charged to the General Fund in the year Employer Contributions figure was adjusted to include pension contributions	To correctly disclose total employer contribution charged to the General Fund in the year.
£1,234,000	Note 34 – Transactions Relating to Post-employment Benefits – IAS 19 Pension Adjustment to the Net cost of Service Actuarial Adjustment from the Actuary Report was omitted from the supporting note.	To correctly disclose all figures from the Actuarial Report in the supported note.
£168,000	Note 34 – Transactions Relating to Post-employment Benefits – IAS 19 Pension Adjustments to the Net costs of Service Transfers Values In figures from the Actuarial Report was omitted from the supporting note	To correctly disclose all figures from the Actuarial Report in the supported note.
Disclosure Note	Note 36 – Contingent Assets Additional disclosure note has been included in the financial statements on the Authority's contingent assets to comply with the Code of Practise.	To correctly disclose contingent assets to meet Code requirements.
£1,435,000	The Firefighters' Pension Fund Account The account did not include the total Top-Up Grant receivable from Welsh Government	To correctly include the total Top-Up Grant received.
£553,000	The Firefighters' Pension Fund Account – 2015/16 comparator Reversal of year end creditor accounted for incorrectly and associated reduction in top-up grant due in debtors.	To account for benefits payable in the correct year.
£574,000	The Firefighters' Pension Fund Account Adjustment to recognise that benefits payable for April 2017 had been prepaid as at 31 st March 2017.	To account for benefits payable in the correct year.
Various amendments, presentation corrections and additional narrative	There have been substantive minor amendments, presentation corrections and additional narrative to the financial statements and notes.	To ensure accurate disclosure and presentation, and to inform the reader.

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500
Fax: 029 2032 0600
Textphone.: 029 2032 0660

E-mail: info@audit.wales
Website: www.audit.wales

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500
Ffacṣ: 029 2032 0600
Ffôn testun: 029 2032 0660

E-bost: post@archwilio.cymru
Gwefan: www.archwilio.cymru